

§ 260.111

30 CFR Ch. II (7–1–11 Edition)

For the bidding system—	The bid variable is the—	And the characteristics are—
(c) Cash bonus bid with a sliding royalty rate of not less than 12.5 percent at the beginning of the lease period.	Cash bonus	<p>(1) We will calculate the royalty rate the highest responsible qualified bidder must pay using either:</p> <p>(i) A sliding-scale formula, which relates the royalty rate to the adjusted value or volume of production, or</p> <p>(ii) A schedule that establishes the royalty rate that we will apply to specified ranges of the adjusted value or volume of production.</p> <p>(2) We will determine the adjusted value of production by applying an inflation factor to the actual value of production.</p> <p>(3) If you are the successful high bidder, your lease will include the sliding-scale formula or schedule and will specify the lowest and highest royalty rates that will apply.</p> <p>(4) You will pay a royalty rate of not less than 12.5 percent at the beginning of the lease period.</p> <p>(5) We will include the sliding-scale royalty formula or schedule, inflation factor and procedures for making the inflation adjustment and determining the value or amount of production in the Notice of OCS Lease Sale published in the FEDERAL REGISTER.</p>
(d) Cash bonus bid with fixed share of the net profits of no less than 30 percent.	Cash bonus	<p>(1) If we award you a lease as the highest responsible qualified bidder, you will determine the amount of the net profit share payment to the United States for each month by multiplying the net profit share base times the net profit share rate, according to § 220.022. You will calculate the net profit share base according to § 220.021.</p> <p>(2) You will pay a net profit share of not less than 30 percent.</p> <p>(3) We will specify the capital recovery factor, as described in § 220.020, and the net profit share rate, both of which may vary from tract to tract, in the Notice of OCS Lease Sale published in the FEDERAL REGISTER.</p>
(e) Cash bonus with variable royalty rate(s) during one or more periods of production.	Cash bonus	<p>(1) We may suspend or defer royalty for a period, volume, or value of production. Notwithstanding suspensions or deferrals, we may impose a minimum royalty. The suspensions or deferrals may vary based on prices or price changes of oil and/or gas.</p> <p>(2) You may pay a royalty rate less than 12.5 percent on production but not less than zero percent.</p> <p>(3) We will specify the applicable royalty rates(s) and suspension or deferral magnitudes, formulas, or relationships in the Notice of OCS Lease Sale published in the FEDERAL REGISTER.</p>
(f) Cash bonus with royalty rate(s) based on formula(s) or schedule(s) during one or more periods of production.	Cash bonus	We will base the royalty rate on formula(s) or schedule(s) specified in the Notice of OCS Lease Sale published in the FEDERAL REGISTER.
(g) Cash bonus with a fixed royalty rate of not less than 12.5 percent, at the beginning of the lease period, suspension of royalties for a period, volume, or value of production, or depending upon selected characteristics of extraction, and with suspensions that may vary based on the price of production.	Cash bonus	Except for periods of royalty suspension, you will pay a fixed royalty rate of not less than 12.5 percent. If we award to you a lease under this system, you must calculate the royalty due during the designated period using the rate, formula, or schedule specified in the lease. We will specify the royalty rate, formula, or schedule in the Notice of OCS Lease Sale published in the FEDERAL REGISTER.

§ 260.111 What conditions apply to the bidding systems that MMS uses?

(a) For each of the bidding systems in § 260.110, we will include an annual rental fee. Other fees and provisions may apply as well. The Notice of OCS Lease Sale published in the FEDERAL REGISTER will specify the annual rental

and any other fees the highest responsible qualified bidder must pay and any other provisions.

(b) If we use any deferment or schedule of payments for the cash bonus bid, we will specify and include it in the Notice of OCS Lease Sale published in the FEDERAL REGISTER.

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(c) For the bidding systems listed in this subpart, if the bid variable is a cash bonus bid, the highest bid by a qualified bidder determines the amount of cash bonus to be paid. We will include the minimum bid level(s) in the Notice of OCS Lease Sale published in the FEDERAL REGISTER.

(d) For the bidding systems listed in this subpart, if the bid variable is the royalty rate, the highest bid by a qualified bidder determines the royalty rate to be paid. We will include the minimum royalty rate(s) in the Notice of OCS Lease Sale published in the FEDERAL REGISTER.

(e) We may, by rule, add to or modify the bidding systems listed in § 260.110, according to the procedural requirements of the OCSLA, 43 U.S.C. 1331 *et seq.*, as amended by Public Law 95-372, 92 Stat. 629.

ELIGIBLE LEASES

§ 260.112 How do royalty suspension volumes apply to eligible leases?

Royalty suspension volumes, as specified in section 304 of the Act, apply to eligible leases that meet the criteria in § 260.113. For purposes of this section and §§ 260.113 through 260.117:

(a) Any volumes of production that are not normally royalty-bearing under the lease or the regulations (e.g., fuel gas) do not count against royalty suspension volumes; and

(b) Production includes volumes allocated to a lease under an approved unit agreement.

§ 260.113 When does an eligible lease qualify for a royalty suspension volume?

(a) Your eligible lease will receive a royalty suspension volume as specified in the Act. The bidding system in § 260.110(g) applies.

(b) Your eligible lease may receive a royalty suspension volume only if your entire lease is west of 87 degrees, 30 minutes West longitude.

[73 FR 58473, Oct. 7, 2008]

§ 260.114 How does MMS assign and monitor royalty suspension volumes for eligible leases?

(a) We have specified the water depth category for each eligible lease in the

final Notice of OCS Lease Sale Package. The Final Notice of Sale is published in the FEDERAL REGISTER and the complete Final Notice of OCS Lease Sale Package is available on the MMS Web site. Our determination of water depth for each lease became final when we issued the lease.

(b) We have specified in the Notice of OCS Lease Sale the royalty suspension volume applicable to each water depth. The following table shows the royalty suspension volumes for each eligible lease in million barrels of oil equivalent (MMBOE):

Water depth	Minimum royalty suspension volume
(1) 200 to less than 400 meters	17.5 MMBOE.
(2) 400 to less than 800 meters	52.5 MMBOE.
(3) 800 meters or more	87.5 MMBOE.

[73 FR 58473, Oct. 7, 2008]

§ 260.115 How long will a royalty suspension volume for an eligible lease be effective?

A royalty suspension volume for an eligible lease will continue through the end of the month in which cumulative production from the leases in a field entitled to share the royalty suspension volume reaches that volume or the lease period ends.

§ 260.116 How do I measure natural gas production on my eligible lease?

You must measure natural gas production on your eligible lease subject to the royalty suspension volume as follows: 5.62 thousand cubic feet of natural gas, measured according to part 250, subpart L of this title, equals one barrel of oil equivalent.

ROYALTY SUSPENSION (RS) LEASES

§ 260.120 How does royalty suspension apply to leases issued in a sale held after November 2000?

We may issue leases with suspension of royalties for a period, volume or value of production, as authorized in section 303 of the Act. For purposes of this section and §§ 260.121 through 260.124:

(a) Any volumes of production that are not normally royalty-bearing under the lease or the regulations (e.g., fuel